

SENATE BILL 370

C2

1lr1741
CF HB 328

By: **Senator Conway**

Introduced and read first time: February 3, 2011

Assigned to: Education, Health, and Environmental Affairs

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 8, 2011

CHAPTER _____

1 AN ACT concerning

2 **Accountants – Regulation – Preparation of a Compilation of Financial**
3 **Statements**

4 FOR the purpose of altering certain definitions related to the practice of certified
5 public accountancy; including the preparation of certain compilations of
6 financial statements in the list of services that are not prohibited, under certain
7 circumstances, under certain provisions of law that regulate certified public
8 accountants; altering a certain requirement that certain firms hold certain
9 permits under certain circumstances; requiring the State Board of Public
10 Accountancy to adopt certain regulations; making certain technical changes;
11 defining a certain term; and generally relating to the regulation of accountants.

12 BY repealing and reenacting, with amendments,
13 Article – Business Occupations and Professions
14 Section 2–101, 2–102, 2–401, and 2–4A–01
15 Annotated Code of Maryland
16 (2010 Replacement Volume)

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
18 MARYLAND, That the Laws of Maryland read as follows:

19 **Article – Business Occupations and Professions**

20 2–101.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 (a) In this title the following words have the meanings indicated.

2 (b) “AICPA” means the American Institute of Certified Public Accountants.

3 (c) “Attest” means to provide the following financial statement services:

4 (1) an audit or other engagement performed in accordance with the
5 Statements on Auditing Standards issued by AICPA;

6 (2) a review of a financial statement performed in accordance with the
7 Statements on Standards for Accounting and Review Services issued by AICPA;

8 ~~(3) A COMPILATION OF A FINANCIAL STATEMENT IN ACCORDANCE~~
9 ~~WITH THE STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW~~
10 ~~SERVICES ISSUED BY AICPA;~~

11 [(3)] (4) an examination of prospective financial information
12 performed in accordance with the Statements on Standards for Attestation
13 Engagements issued by [the] AICPA; and

14 [(4)] (5) any engagement performed in accordance with the Auditing
15 Standards of the Public Company Accounting Oversight Board.

16 (d) “Board” means the State Board of Public Accountancy.

17 **(E) “COMPILATION” MEANS A PRESENTATION OF INFORMATION IN THE**
18 **FORM OF A FINANCIAL STATEMENT THAT IS PERFORMED IN ACCORDANCE WITH**
19 **THE STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES**
20 **ISSUED BY AICPA.**

21 [(e)] (F) “Home office” is the location specified by a client of a certified
22 public accountant as the address to which a service described in § 2–401(a) of this title
23 is directed.

24 [(f)] (G) “License” means, unless the context requires otherwise, a license
25 issued by the Board to practice certified public accountancy.

26 [(g)] (H) “License fee” means the fee paid in connection with the issuance or
27 renewal of a license.

28 [(h)] (I) “Licensed certified public accountant” means, unless the context
29 requires otherwise, an individual licensed by the Board to practice certified public
30 accountancy.

1 [(i)] (J) “Permit” means, unless the context requires otherwise, a permit
2 issued by the Board to allow a partnership or corporation to operate a business
3 through which an individual may practice certified public accountancy.

4 [(j)] (K) “Permit fee” means the fee paid in connection with the issuance or
5 renewal of a permit.

6 [(k)] (L) “Practice certified public accountancy” means to perform any of the
7 following accountancy services:

8 (1) conducting an audit, **REVIEW, OR COMPILATION** of financial
9 statements; or

10 (2) providing a written certificate or opinion **OFFERING POSITIVE OR**
11 **NEGATIVE ASSURANCE OR FULL OR LIMITED ASSURANCE** on the correctness of the
12 information or on the fairness of the presentation of the information in:

13 (i) a financial statement;

14 (ii) a report;

15 (iii) a schedule; or

16 (iv) an exhibit.

17 [(l)] (M) “Practice privilege” means the right granted to an individual who
18 is licensed by another state to practice certified public accountancy in this State
19 without a license issued by this State.

20 [(m)] (N) “Principal place of business” means the office location designated
21 by the licensee for purposes of substantial equivalency and reciprocity.

22 [(n)] (O) “NASBA” means the National Association of Boards of
23 Accountancy.

24 2–102.

25 (a) If the person does not engage in any activity expressly included in the
26 definition of practice certified public accountancy, this title does not prohibit:

27 (1) an individual from serving as an employee of or assistant to a
28 licensee or permit holder;

29 (2) a public official or public employee from performing the duties of
30 the position of that individual; or

1 (3) a person from providing or offering to the public bookkeeping and
2 accounting services, including:

3 (i) development or installation of a bookkeeping system;

4 (ii) recordation or presentation of financial information;

5 (iii) preparation of:

6 1. a financial statement;

7 **2. A COMPILATION OF A FINANCIAL STATEMENT**

8 **THAT:**

9 **A. DOES NOT REFERENCE THE STATEMENTS ON**
10 **STANDARDS FOR ACCOUNTING AND REVIEW SERVICES ISSUED BY AICPA; AND**

11 **B. EXPRESSLY STATES THAT THE PERSON HAS NOT**
12 **UNDERGONE AND IS NOT REQUIRED TO UNDERGO PEER REVIEW;**

13 **[2.] 3.** a report;

14 **[3.] 4.** a schedule; or

15 **[4.] 5.** an exhibit; or

16 (iv) any similar activity.

17 (b) This title does not prohibit a licensee or permit holder from:

18 (1) employing a certified public accountant licensed by another state
19 or a foreign country; or

20 (2) listing that individual as a certified public accountant, if the
21 individual qualifies for a practice privilege under § 2–321 of this title.

22 **(C) THE BOARD SHALL ADOPT REGULATIONS THAT SPECIFY THE**
23 **LANGUAGE OF THE DISCLOSURE STATEMENT RELATING TO EXEMPTION FROM**
24 **PEER REVIEW THAT IS REQUIRED TO BE INCLUDED IN A COMPILATION OF A**
25 **FINANCIAL STATEMENT PREPARED UNDER SUBSECTION (A)(3)(III)2 OF THIS**
26 **SECTION.**

27 2–401.

28 (a) [To operate a business through which certified public accountancy is
29 practiced, a] **A** firm shall hold a permit issued by the Board if the firm:

1 (1) has an office in this State that performs attest services as defined
2 in § 2–101(c) of this title;

3 (2) has an office in this State that uses the title “CPA” or “CPA firm”;
4 or

5 (3) performs attest services described in § 2–101(c)(1), [(3), or] (4), **OR**
6 **(5)** of this title for a client with a home office in this State.

7 (b) A firm that does not have an office in this State may perform attest
8 services as defined in § 2–101(c)(2) [or § 2–4A–01(b)] **AND (3)** of this title for a client
9 with a home office in this State without a permit if the firm:

10 (1) meets the application and peer review requirements under §§
11 2–402, 2–402.1, 2–403, and 2–4A–02 of this title; and

12 (2) performs services through an individual with a practice privilege
13 under § 2–321 of this title.

14 (c) The Board shall grant or renew a permit to practice as a CPA firm to a
15 partnership, limited liability company, or corporation that demonstrates its
16 qualifications in accordance with this section.

17 (d) If a firm does not meet the requirements of this section, the firm may
18 perform other professional services while using the title “CPA” or “CPA firm” in this
19 State without a permit, if the firm:

20 (1) performs those services through an individual with a practice
21 privilege provided under § 2–321 of this title; and

22 (2) performs those services in the state where the individual with a
23 practice privilege retains a principal place of business.

24 2–4A–01.

25 (a) In this subtitle the following words have the meanings indicated.

26 (b) [“Compilation” means a presentation of information in the form of a
27 financial statement that:

28 (1) is performed in accordance with the statements on standards for
29 accounting and review services of the American Institute of Certified Public
30 Accountants; and

31 (2) is the representation of management without an undertaking on
32 the part of the preparer to express any assurance on the statements.

1 (c) “Engagement review” means a peer review that evaluates whether there
2 is a reasonable basis for expressing limited assurance that:

3 (1) financial statements with which the individual or firm is
4 associated conform in all material respects with professional standards; and

5 (2) reports and internal documentation of the work performed by the
6 individual or firm conforms with professional standards.

7 [(d)] (C) “Fail” means, in connection with a report of a peer reviewer, one or
8 more significant deficiencies in performing or reporting in conformity with professional
9 standards in the individual or the firm being reviewed.

10 [(e)] (D) “Peer review” means a study, appraisal, or review of one or more
11 aspects of the professional work of an individual or firm performed by a person
12 licensed as a certified public accountant.

13 [(f)] (E) “Report indicating pass with deficiencies” means a report of a peer
14 reviewer that indicates one or more deficiencies in performing or reporting in
15 conformity with professional standards in the individual or firm being reviewed.

16 [(g)] (F) “Review” means the analysis of a financial statement that:

17 (1) is performed in accordance with the [statements on standards for
18 accounting and review services] **STATEMENTS ON STANDARDS FOR ACCOUNTING
19 AND REVIEW SERVICES** of the American Institute of Certified Public Accountants;
20 and

21 (2) provides a licensee with a reasonable basis for expressing limited
22 assurance that there are no material modifications that should be made to the
23 statement in order for it to be in accordance with generally accepted accounting
24 principles, or, if applicable, with any other comprehensive basis of accounting.

25 [(h)] (G) “System review” means a peer review evaluating whether there is
26 reasonable assurance that:

27 (1) the system of quality control of the individual or firm being
28 reviewed is designed and operated in such a manner as to meet professional
29 standards;

30 (2) financial statements with which the licensee or firm is associated
31 conform in all material respects with professional standards; and

32 (3) reports and internal documentation of the work performed by the
33 licensee or firm conforms with professional standards.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
2 October 1, 2011.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.